

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>VILLAGE OF CALEDONIA</b>	County <b>KENT</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>9/2/04</b>	Date Accountant Report Submitted to State: <b>4/25/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

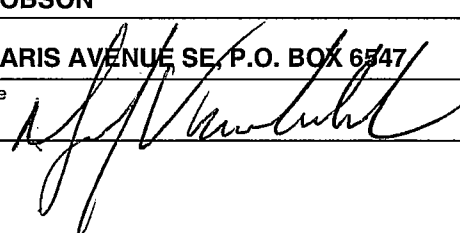
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>REHMANN ROBSON</b>			
Street Address <b>2330 EAST PARIS AVENUE SE, P.O. BOX 6547</b>		City <b>GRAND RAPIDS</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49516-6547</b>	
		Date	

**VILLAGE OF CALEDONIA**

**CALEDONIA, MICHIGAN**

**FINANCIAL STATEMENTS**

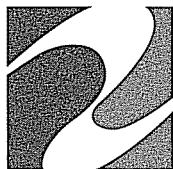
**FOR THE YEAR ENDED JUNE 30, 2004**

# VILLAGE OF CALEDONIA

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

September 2, 2004

Honorable President and  
Members of the Village Council  
Village of Caledonia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Caledonia, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Caledonia, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Caledonia, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2004, on our consideration of the Village of Caledonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

As described in Note 7, the Village adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37, and 38 and GASB Interpretation 6 as of June 30, 2004. This results in a change to the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Caledonia's basic financial statements. The individual fund schedule is presented for purposes of additional analysis and is not a required part of the Village of Caledonia's basic financial statements. The individual schedule has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lehmann Lobson".

## Management's Discussion and Analysis

As management of the Village of Caledonia, we offer readers of the Village of Caledonia's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The Village's commitment to public works was supported by over 45% of governmental expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Caledonia's financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Village of Caledonia that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government administration and public works including major and local street maintenance. The business-type activities of the Village include sewer services.

The government-wide financial statements can be found on pages 10-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Caledonia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major streets, local streets, and debt service funds, each of which are considered to be major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 13-19 of this report.

***Proprietary funds.*** The Village of Caledonia maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Caledonia uses an enterprise fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-32 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

Individual fund statements and schedules can be found on pages 33-34 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Caledonia, assets exceeded liabilities by \$6,951,822 at the close of the most recent fiscal year.

A portion of the Village's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

### Village of Caledonia Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current and other assets	\$ 1,122,857	\$ 881,766	\$ 2,004,623
Capital assets	<u>3,638,899</u>	<u>2,326,619</u>	<u>5,965,518</u>
Total assets	<u>4,761,756</u>	<u>3,208,385</u>	<u>7,970,141</u>
Long-term liabilities outstanding	-	959,428	959,428
Other liabilities	<u>29,150</u>	<u>29,741</u>	<u>58,891</u>
Total liabilities	<u>29,150</u>	<u>989,169</u>	<u>1,018,319</u>
Net assets:			
Invested in capital assets, net			
of related debt	3,638,899	1,356,619	4,995,518
Restricted	416,270	-	416,270
Unrestricted	<u>677,437</u>	<u>862,597</u>	<u>1,540,034</u>
Total net assets	<u>\$ 4,732,606</u>	<u>\$ 2,219,216</u>	<u>\$ 6,951,822</u>



Net assets of the Village increased by \$185,667 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net assets of \$10,288 was primarily the result of revenue from operations. The governmental activities increase in net assets of \$175,379 is the relationship of expenditures to governmental activities revenues.

### Village of Caledonia Changes in Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 167,091	\$ 336,026	\$ 503,117
General revenue:			
Property taxes	200,919	-	200,919
Other governmental sources	167,017	-	167,017
Other	16,501	(1,034)	15,467
Total revenue	<u>551,528</u>	<u>334,992</u>	<u>886,520</u>
Expenses:			
General government	206,131	-	206,131
Public works	170,018	-	170,018
Sewer	-	324,704	324,704
Total expenses	<u>376,149</u>	<u>324,704</u>	<u>700,853</u>
Increase in net assets	175,379	10,288	185,667
Net assets - beginning of year	<u>4,557,227</u>	<u>2,208,928</u>	<u>6,766,155</u>
Net assets - end of year	<u><u>\$ 4,732,606</u></u>	<u><u>\$ 2,219,216</u></u>	<u><u>\$ 6,951,822</u></u>

### Governmental activities

During the year the Village continued its emphasis in public works by investing \$170,018 or 45% of governmental activities expenses. General government made up the remaining 55% of governmental activities expenses.

**Business-type activities.** Business-type activities increased the Village's net assets by \$10,288, accounting for 6 percent of the total growth in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of approximately \$64,150. Key elements of this decrease are as follows:

- Charges for services for business-type activities increased by 5 percent, or roughly \$17,500, compared to the prior year. This is a result of increased usage (i.e., volume) for the water system due to an increase in growth in the Village of Caledonia area.
- Increased operating costs related to electrical charges and insurance.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,093,707, an increase of \$194,707 in comparison with the prior year.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$677,437 which is equal to total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 240 percent of total general fund expenditures.

The fund balance of the Village's general fund increased by \$179,190 during the current fiscal year.

The major and local street funds have total fund balances of \$416,166, which increased by \$15,516 during the year. This was due to no significant road projects during the year.

**Proprietary funds.** The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer fund at the end of the year amounted to \$852,025. The sewer fund had an increase in net assets for the year of \$10,288. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

## **General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

During the year, general fund revenues were higher than budgetary estimates and expenditures were less, resulting in an actual increase in fund balance that exceeded the final amended budget amount by \$411,372.

A significant portion (approximately \$160,000) of the increase was the result of receiving the final water settlement payment from Caledonia Township.

## Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$5,965,518 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment. There were no significant capital purchases during the year.

### Village of Caledonia Capital Assets (net of depreciation)

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
Land	\$ 3,487,649	\$ 108,268	\$ 3,595,917
Buildings and system improvements	73,999	2,195,921	2,269,920
Vehicles and equipment	77,251	22,430	99,681
<b>Total</b>	<b><u>\$ 3,638,899</u></b>	<b><u>\$ 2,326,619</u></b>	<b><u>\$ 5,965,518</u></b>

Additional information on the Village of Caledonia capital assets can be found in Note 4 on pages 28-30 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village had total debt outstanding net of unamortized discount of \$959,428 as follows:

### General Obligation and Revenue Bonds

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Bonds, net of unamortized discount (\$10,572)	\$ -	\$ 959,428	\$ 959,428
<b>Total</b>	<b><u>\$ -</u></b>	<b><u>\$ 959,428</u></b>	<b><u>\$ 959,428</u></b>

The Village's total debt decreased by \$25,000 during the current fiscal year.

The Village is currently not rated for general obligation bond issuance.

Additional information on the Village's long-term debt can be found in Note 6 on page 30 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2004-05 fiscal year:

- Increased employee wages cost of 2%.
- Increased health insurance cost of 18%.
- Increased property tax revenue of 3.5%.
- No change in state revenue sharing payments due to state budget issues.

## **Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, 250 South Maple St., SE, Caledonia, Michigan 49316.

# VILLAGE OF CALEDONIA

## STATEMENT OF NET ASSETS

JUNE 30, 2004

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,106,331	\$ 530,514	\$ 1,636,845
Receivables:			
Accounts receivable	-	56,544	56,544
Taxes receivable	2,974	-	2,974
Due from state	13,552	-	13,552
Restricted cash and cash equivalents	-	294,708	294,708
Land	3,487,649	108,268	3,595,917
Property and equipment, net of accumulated depreciation	151,250	2,218,351	2,369,601
<b>Total assets</b>	<b>4,761,756</b>	<b>3,208,385</b>	<b>7,970,141</b>
<b>Liabilities</b>			
Accounts payable	26,176	29,741	55,917
Unearned revenue	2,974	-	2,974
Noncurrent liabilities:			
Unamortized discount	-	(10,572)	(10,572)
Due within one year	-	25,000	25,000
Due in more than one year	-	945,000	945,000
<b>Total liabilities</b>	<b>29,150</b>	<b>989,169</b>	<b>1,018,319</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,638,899	1,356,619	4,995,518
Restricted for:			
Major street	402,312	-	402,312
Local Street	13,854	-	13,854
Debt service	104	-	104
Unrestricted	677,437	862,597	1,540,034
<b>Total net assets</b>	<b>\$ 4,732,606</b>	<b>\$ 2,219,216</b>	<b>\$ 6,951,822</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2004**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental activities:				
General government	\$ 206,131	\$ 163,557	\$ -	\$ -
Public works	170,018	3,534	-	-
Total governmental activities	<u>376,149</u>	<u>167,091</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Sewer	324,704	336,026	-	-
Total business-type activities	<u>324,704</u>	<u>336,026</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 700,853</u>	<u>\$ 503,117</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## STATEMENT OF ACTIVITIES (CONCLUDED)

**FOR THE YEAR ENDED JUNE 30, 2004**

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (209,058)	\$ 11,322	\$ (197,736)
General revenues:			
Property taxes	200,919	-	200,919
State	167,017	-	167,017
Unrestricted investment earnings (losses)	16,501	(1,034)	15,467
Total general revenues	384,437	(1,034)	383,403
Change in net assets	175,379	10,288	185,667
Net assets, beginning of year, as restated	4,557,227	2,208,928	6,766,155
<b>Net assets, end of year</b>	<b>\$ 4,732,606</b>	<b>\$ 2,219,216</b>	<b>\$ 6,951,822</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**JUNE 30, 2004**

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
Cash and cash equivalents	\$ 696,783	\$ 398,793	\$ 10,651	\$ 104	\$1,106,331
Due from state	-	9,780	3,772	-	13,552
Taxes receivable	2,974	-	-	-	2,974
<u>TOTAL ASSETS</u>	<u>\$ 699,757</u>	<u>\$ 408,573</u>	<u>\$ 14,423</u>	<u>\$ 104</u>	<u>\$1,122,857</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 19,346	\$ 6,262	\$ 568	\$ -	\$ 26,176
Deferred revenue	2,974	-	-	-	2,974
<u>TOTAL LIABILITIES</u>	<u>22,320</u>	<u>6,262</u>	<u>568</u>	<u>-</u>	<u>29,150</u>
FUND BALANCES					
Unreserved- undesignated	677,437	402,312	13,854	104	1,093,707
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 699,757</u>	<u>\$ 408,574</u>	<u>\$ 14,422</u>	<u>\$ 104</u>	<u>\$1,122,857</u>

The accompanying notes are an integral part of these financial statements.



# ***VILLAGE OF CALEDONIA***

## ***RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS***

***JUNE 30, 2004***

Fund balances - total governmental funds	\$ 1,093,707
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Add - land	3,487,649
Add - capital assets	289,106
Deduct - accumulated depreciation	<u>(137,856)</u>

Net assets of governmental activities	<u><u>\$ 4,732,606</u></u>
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The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CALEDONIA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

*FOR THE YEAR ENDED JUNE 30, 2004*

	GENERAL FUND	MAJOR STREETS	LOCAL STREETS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 200,919	\$ -	\$ -	\$ -	\$ 200,919
Intergovernmental revenue:					
State	80,977	62,225	23,815	-	167,017
Licenses and permits	3,534	-	-	-	3,534
Interest earnings	11,712	4,590	3,628	1	19,931
Other	163,557	-	-	-	163,557
 TOTAL REVENUES	 460,699	 66,815	 27,443	 1	 554,958
EXPENDITURES					
Current:					
General government	205,055	-	-	-	205,055
Public works	76,454	44,534	34,208	-	155,196
 TOTAL EXPENDITURES	 281,509	 44,534	 34,208	 -	 360,251
 NET CHANGE IN FUND BALANCES	 179,190	 22,281	 (6,765)	 1	 194,707
 FUND BALANCES, BEGINNING OF YEAR	 498,247	 380,031	 20,619	 103	 899,000
 FUND BALANCES, END OF YEAR	 \$ 677,437	 \$ 402,312	 \$ 13,854	 \$ 104	 \$ 1,093,707

The accompanying notes are an integral part of these financial statements.

***VILLAGE OF CALEDONIA***

***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES***

***FOR THE YEAR ENDED JUNE 30, 2004***

Net change in fund balances - total governmental funds	\$ 194,707
--	------------

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Deduct - depreciation expense	<u>(19,328)</u>
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Change in net assets of governmental activities	<u><u>\$ 175,379</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 15,460	\$ 15,460	\$ 200,919	\$ 185,459
Licenses and permits	-	-	3,534	3,534
State shared revenue	105,093	105,093	80,977	(24,116)
Interest and rentals	500	500	11,712	11,212
Miscellaneous revenues	4,500	4,500	163,557	159,057
TOTAL REVENUES	125,552	125,552	460,699	335,147
EXPENDITURES				
General government	166,784	166,784	205,055	(38,271)
Public works	190,950	190,950	76,454	114,496
TOTAL EXPENDITURES	357,734	357,734	281,509	76,225
NET CHANGES IN FUND BALANCE	(232,182)	(232,182)	179,190	411,372
FUND BALANCE, BEGINNING OF YEAR	498,247	498,247	498,247	-
FUND BALANCE, END OF YEAR	\$ 266,065	\$ 266,065	\$ 677,437	\$ 411,372

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**SPECIAL REVENUE FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
MAJOR STREETS FUND**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
State shared revenue	\$ 58,170	\$ 58,170	\$ 62,225	\$ 4,055
Interest and rentals	<u>7,382</u>	<u>7,382</u>	<u>4,590</u>	<u>(2,792)</u>
 TOTAL REVENUES	 <u>65,552</u>	 <u>65,552</u>	 <u>66,815</u>	 <u>1,263</u>
EXPENDITURES				
Public works:				
Routine maintenance	24,690	24,690	34,414	(9,724)
Winter maintenance	<u>18,150</u>	<u>18,150</u>	<u>10,120</u>	<u>8,030</u>
 TOTAL EXPENDITURES	 <u>42,840</u>	 <u>42,840</u>	 <u>44,534</u>	 <u>(1,694)</u>
 NET CHANGES IN FUND BALANCE	 22,712	 22,712	 22,281	 (431)
 FUND BALANCE, BEGINNING OF YEAR	 <u>380,031</u>	 <u>380,031</u>	 <u>380,031</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 402,743</u>	 <u>\$ 402,743</u>	 <u>\$ 402,312</u>	 <u>\$ (431)</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**SPECIAL REVENUE FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
LOCAL STREETS FUND**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES				
State shared revenue	\$ 24,360	\$ 24,360	\$ 23,815	\$ (545)
Interest and rentals	<u>590</u>	<u>590</u>	<u>3,628</u>	<u>3,038</u>
TOTAL REVENUES	<u>24,950</u>	<u>24,950</u>	<u>27,443</u>	<u>2,493</u>
EXPENDITURES				
Public works:				
Routine maintenance	4,600	4,600	4,273	327
Winter maintenance	<u>40,030</u>	<u>40,030</u>	<u>29,935</u>	<u>10,095</u>
TOTAL EXPENDITURES	<u>44,630</u>	<u>44,630</u>	<u>34,208</u>	<u>10,422</u>
NET CHANGES IN FUND BALANCE	(19,680)	(19,680)	(6,765)	12,915
FUND BALANCE, BEGINNING OF YEAR	<u>20,619</u>	<u>20,619</u>	<u>20,619</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 939</u>	<u>\$ 939</u>	<u>\$ 13,854</u>	<u>\$ 12,915</u>

The accompanying notes are an integral part of these financial statements.

***VILLAGE OF CALEDONIA***

***STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS***

***JUNE 30, 2004***

	SEWER ENTERPRISE FUND
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 530,514
Accounts receivable	56,544
Restricted cash and cash equivalents	294,708
Capital assets	<u>2,326,619</u>
<u>TOTAL ASSETS</u>	<u>3,208,385</u>
Current liabilities	
Accounts payable	29,741
Bonds payable, net of unamortized discount of \$10,572	<u>959,428</u>
<u>TOTAL LIABILITIES</u>	<u>989,169</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,367,191
Unrestricted	<u>852,025</u>
<u>TOTAL NET ASSETS</u>	<u>\$ 2,219,216</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND TYPE**

**FOR THE YEAR ENDED JUNE 30, 2004**

	SEWER ENTERPRISE FUND
OPERATING REVENUES	
Charges for services	<u>\$ 336,026</u>
OPERATING EXPENSES	
Supplies and administration	184,471
Repairs and maintenance	10,480
Depreciation	<u>78,708</u>
TOTAL OPERATING EXPENSES	<u>273,659</u>
OPERATING INCOME	<u>62,367</u>
NONOPERATING REVENUES (EXPENSES)	
Loss on investments	(1,034)
Interest expense	<u>(51,045)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(52,079)</u>
CHANGE IN NET ASSETS	10,288
NET ASSETS, BEGINNING OF YEAR	<u>2,208,928</u>
NET ASSETS, END OF YEAR	<u><u>\$2,219,216</u></u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF CALEDONIA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE**

**FOR THE YEAR ENDED JUNE 30, 2004**

	SEWER ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 308,441
Cash payments to suppliers and employees for goods and services	(190,654)
NET CASH PROVIDED BY OPERATING ACTIVITIES	117,787
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(17,795)
Interest and fiscal charges paid on bonds payable	(51,532)
Principal payments on bonds payable	(25,000)
NET CASH USED IN FINANCING ACTIVITIES	(94,327)
CASH FLOWS USED IN INVESTING ACTIVITIES	
Loss on investments	(1,034)
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,426
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	802,796
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 825,222
Cash and cash equivalents are included on the statement of net assets as follows:	
Cash and cash equivalents	\$ 530,514
Restricted cash and cash equivalents	294,708
	\$ 825,222
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	62,367
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	78,708
Changes in operating assets and liabilities which provided (used) cash	
Accounts receivable	(27,585)
Accounts payable	4,297
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 117,787

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Caledonia (the "Village") is a municipal corporation governed by an elected board.

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the Village and any related entities for which the Village is considered to be financially accountable. The Village follows the criteria established by GASB 14 and 39, which includes financial accountability. There are currently no other entities for which the Village is financially accountable.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After October 1 of each year, the County pays the Village, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and debt service expenditures are recorded only when payment is due.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the Village.

The *Local Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the Village.

The *Debt Service Fund* is used to account for the accumulation of resources which are restricted for the payment of principal and interest on general obligation bonds. There are currently no such bonds outstanding.

The Village reports the following major proprietary fund:

The *Sewer Enterprise Fund* is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Budgets and Budgetary Accounting***

The general and special revenue funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. Budgetary control is exercised at the department level. The Village manager is authorized to transfer budget amounts between line items within department, however, any supplemental appropriations that amend total expenditures of any department require Village Council resolution. Unexpended appropriations lapse at year-end.

***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the Village considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

***Restricted Cash and Cash Equivalents***

Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted cash and cash equivalents on the statement of net assets because their use is limited by applicable bond covenants.

***Receivables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial at year end.

***Deferred Revenue***

The Village reports deferred revenue when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

***Fund Equity***

Reserves represent those portions of fund equity not appropriable for expenditures or legally separated for a specific future use.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Vehicles	12
Equipment	3-10
Sewer System	15-50

#### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

#### ***Compensated Absences***

There is no accumulated vacation or sick leave to be recognized.

#### ***Property Taxes***

The Village property tax is levied each July 1 on the assessed valuation of property located in the Village as of the preceding July 31, the lien date. Collections are made July 1 through September 14. Assessed values are established annually by the County and are equalized by the State at an estimated 50% of current market value.

Property taxes levied in July of each year are recognized as revenue in that year.

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Risk Management*

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the Village carried commercial insurance to cover most risks of losses. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

### 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted on the activity level in the General Fund and the function level in other funds.

During the year ended June 30, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund - Village Council	\$ 112,830	\$ 158,514	\$ 45,684
Major Street Fund - Routine Maintenance	24,690	34,414	9,724

### 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The captions on the statement of net assets relating to cash and cash equivalents and the amounts in the Total (Memorandum Only) column are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$1,106,331	\$530,514	\$1,636,845
Restricted cash and cash equivalents	-	294,708	294,708
	<u>\$1,106,331</u>	<u>\$825,222</u>	<u>\$1,931,553</u>

	<u>Bank Balance</u>
The bank balances of the Village's deposits were classified as to risk as follows:	
Insured (FDIC)	\$ 300,000
Uninsured, uncollateralized	1,632,384
<b>Total</b>	<u><b>\$1,932,384</b></u>

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

### 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

These deposits are in three (3) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Village and a specific fund or common account. They are recorded in Village records at fair value. Interest is recorded when earned.

#### Investments

State statutes authorize the Village to invest in the following:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

### 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Additions	Dispositions	Balance June 30, 2004
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$3,487,649	\$ -	\$ -	\$3,487,649
Capital assets, being depreciated:				
Buildings	115,000	-	-	115,000
Equipment	37,760	-	-	37,760
Office equipment	14,849	-	-	14,849
Vehicles	121,497	-	-	121,497
Total capital assets, being depreciated	289,106	-	-	289,106

# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

### 4. CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2003	Additions	Dispositions	Balance June 30, 2004
Less accumulated depreciation for:				
Buildings	\$ 38,375	\$ 2,626	\$ -	\$ 41,001
Equipment	16,274	3,319	-	19,593
Office equipment	9,899	4,950	-	14,849
Vehicles	53,980	8,433	-	62,413
Total accumulated depreciation	118,528	19,328	-	137,856
Net capital assets, being depreciated	170,578	19,328	-	151,250
<b>Net governmental activities capital assets</b>	<b>\$3,658,227</b>	<b>\$(19,328)</b>	<b>\$ -</b>	<b>\$3,638,899</b>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$108,268	\$ -	\$ -	\$108,268
Capital assets, being depreciated:				
Equipment	95,617	-	-	95,617
Sewer system	3,102,061	17,795	-	3,119,856
Total capital assets, being Depreciated	3,197,678	17,795	-	3,215,473
Less accumulated depreciation for:				
Equipment	64,876	8,311	-	73,187
Sewer system	853,538	70,397	-	923,935
Total accumulated depreciation	918,414	78,708	-	997,122
Net capital assets, being depreciated	2,279,264	(60,913)	-	2,218,351
<b>Net business-type activities capital assets</b>	<b>\$2,387,532</b>	<b>\$(60,913)</b>	<b>\$ -</b>	<b>\$2,326,619</b>



# VILLAGE OF CALEDONIA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

### 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$10,630
Public works	<u>8,698</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$19,328</u></b>
Business-type activities:	
Sewer	<u>\$78,708</u>

### 5. RETIREMENT PLAN

The Village may make annual contributions to employee retirement accounts. Plan provisions and contribution requirements are established and may be amended by the Village Board. The contribution by the Village is determined annually by the Village Board and may be any amount up to 5% of individuals compensation. For the year ended June 30, 2004, the Village contributed \$5,053.

### 6. LONG-TERM DEBT

The following is a summary of debt transactions of the Village for the year ended June 30, 2004:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Enterprise Fund Debt					
\$995,000 Sanitary Sewage System					
Revenue Bonds, Series 2001; due in annual					
installments ranging from \$25,000 to \$80,000					
beginning September 1, 2003 through					
September 1, 2021; interest at 4.8% to 5.5%	<u>\$995,000</u>	<u>\$ -</u>	<u>\$25,000</u>	<u>\$970,000</u>	<u>\$25,000</u>

The annual requirements to amortize all debt outstanding as of June 30, 2004 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 25,000	\$ 49,223
2006	25,000	48,023
2007	25,000	46,823
2008	25,000	45,623
2009	50,000	43,823
2010-2014	250,000	182,988
2015-2019	340,000	111,434
2020-2022	<u>230,000</u>	<u>19,270</u>
<b>Total</b>	<b><u>\$970,000</u></b>	<b><u>\$547,207</u></b>

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**7. RESTATEMENTS**

As of and for the year ended June 30, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

*Statements*

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

*Interpretation*

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Village is required to implement the new requirements no later than the fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards include:

- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Budgetary statement and schedules
  - Notes to the basic financial statements

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net asset accounts.

**VILLAGE OF CALEDONIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**7. RESTATEMENTS (CONTINUED)**

*Government-wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund balances of governmental funds as of June 30, 2003	\$ 899,000
Add: Governmental capital assets, including general fixed assets as of June 30, 2003	3,776,755
Deduct: Accumulated depreciation as of June 30, 2003 on Above governmental capital assets	<u>(118,528)</u>
<b>Governmental net assets, restated, as of July 1, 2003</b>	<b><u><u>\$4,557,227</u></u></b>

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# VILLAGE OF CALEDONIA

## GENERAL FUND

### SCHEDULE OF EXPENDITURES BY ACTIVITY - COMPARED TO BUDGET

**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE - POSITIVE (NEGATIVE)
GENERAL GOVERNMENT				
VILLAGE COUNCIL - GENERAL				
Salaries and wages	\$ 33,680	\$ 33,680	\$ 34,173	\$ (493)
Audit	5,500	5,500	5,350	150
Insurance	18,850	18,850	27,403	(8,553)
Legal	15,000	15,000	43,681	(28,681)
Engineering	10,000	10,000	12,067	(2,067)
Utilities	11,800	11,800	12,609	(809)
Office supplies	7,100	7,100	7,346	(246)
Memberships and dues	1,200	1,200	934	266
Printing and publishing	2,000	2,000	1,674	326
Education and mileage	1,200	1,200	239	961
Capital outlay	2,500	2,500	4,417	(1,917)
Miscellaneous	4,000	4,000	8,621	(4,621)
<b>TOTAL VILLAGE COUNCIL - GENERAL</b>	<b>112,830</b>	<b>112,830</b>	<b>158,514</b>	<b>(45,684)</b>
PRESIDENT				
Salaries and wages	4,064	4,064	3,539	525
ELECTIONS	1,800	1,800	1,495	305
TRUSTEE				
Salaries and wages	8,515	8,515	7,313	1,202
CLERK				
Salaries and wages	19,545	19,545	19,363	182
Office supplies	2,050	2,050	1,462	588
<b>TOTAL CLERK</b>	<b>21,595</b>	<b>21,595</b>	<b>20,825</b>	<b>770</b>
TREASURER				
Salaries and wages	2,710	2,710	2,651	59
Miscellaneous	2,000	2,000	1,164	836
<b>TOTAL TREASURER</b>	<b>4,710</b>	<b>4,710</b>	<b>3,815</b>	<b>895</b>
PLANNING AND ZONING				
Salaries and wages	3,345	3,345	2,388	957
Engineering	9,925	9,925	7,166	2,759
<b>TOTAL PLANNING AND ZONING</b>	<b>13,270</b>	<b>13,270</b>	<b>9,554</b>	<b>3,716</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>166,784</b>	<b>166,784</b>	<b>205,055</b>	<b>(38,271)</b>

**VILLAGE OF CALEDONIA**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES BY ACTIVITY - COMPARED TO BUDGET  
(CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - POSITIVE (NEGATIVE)</u>
PUBLIC WORKS				
Salaries and wages	\$ 34,200	\$ 34,200	\$ 28,263	\$ 5,937
Insurance	10,800	10,800	11,525	(725)
Operating supplies	1,500	1,500	1,306	194
Telephone - pager	700	700	638	62
Truck expense	6,900	6,900	3,318	3,582
Tree program	9,500	9,500	7,011	2,489
Street lights	15,400	15,400	15,708	(308)
Christmas lights	2,500	2,500	1,546	954
Miscellaneous	10,450	10,450	3,438	7,012
Contracted services	14,000	14,000	3,701	10,299
Capital outlay	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
<b>TOTAL PUBLIC WORKS</b>	<u><b>190,950</b></u>	<u><b>190,950</b></u>	<u><b>76,454</b></u>	<u><b>114,496</b></u>
 <b>TOTAL EXPENDITURES</b>	 <u><u><b>\$357,734</b></u></u>	 <u><u><b>\$357,734</b></u></u>	 <u><u><b>\$281,509</b></u></u>	 <u><u><b>\$ 76,225</b></u></u>



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

*An Independent Member of Baker Tilly International*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

September 2, 2004

Honorable President and  
Members of the Village Council  
Village of Caledonia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Caledonia, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Village of Caledonia, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village of Caledonia, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Village Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Robson*